

**Introduced by Senator Price**

February 19, 2010

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An act to amend Section 14166.12 of the Welfare and Institutions Code, relating to Medi-Cal, and making an appropriation therefor.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 1409, as introduced, Price. Medi-Cal: hospital demonstration project funding: County of Los Angeles.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Care Services and under which qualified low-income persons receive health care benefits. The Medi-Cal program is, in part, governed and funded by federal Medicaid provisions.

Existing law establishes the Medi-Cal Hospital/Uninsured Care Demonstration Project Act, which revises hospital reimbursement methodologies under the Medi-Cal program in order to maximize the use of federal funds consistent with federal Medicaid law and stabilize the distribution of funding for hospitals that provide care to Medi-Cal beneficiaries and uninsured patients. This demonstration project provides for funding, in supplementation of Medi-Cal reimbursement, to various hospitals, including designated public hospitals, nondesignated public hospitals, and private hospitals, as defined, in accordance with certain provisions relating to disproportionate share hospitals.

Existing law establishes the continuously appropriated Private Hospital Supplemental Fund, and allows the California Medical Assistance Commission to distribute certain amounts from the fund to private hospitals that satisfy specified criteria.

Existing law requires the County of Los Angeles to, for the 2007–08, 2008–09, and 2009–10 project years, make intergovernmental transfers

to the state to fund the nonfederal share of increased Medi-Cal payments to those private hospitals that serve the South Los Angeles population formerly served by Los Angeles County Martin Luther King, Jr. - Harbor Hospital. Existing law requires the intergovernmental transfers to be funded by county tax revenues and to total \$5,000,000 per project year, subject to specified exceptions. Existing law requires these moneys to be deposited in the Private Hospital Supplemental Fund, thus constituting an appropriation, and distributed to the private hospitals designated by the county.

This bill would additionally require the County of Los Angeles to make intergovernmental transfers to the state to fund the nonfederal share of increased Medi-Cal payments to those private hospitals that serve the South Los Angeles population formerly served by Los Angeles County Martin Luther King, Jr. - Harbor Hospital for the 2010–11, 2011–12, and 2012–13 project years in accordance with the above-described provisions, thereby constituting an appropriation.

Vote: majority. Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 14166.12 of the Welfare and Institutions
- 2 Code is amended to read:
- 3 14166.12. (a) The California Medical Assistance Commission
- 4 shall negotiate payment amounts, in accordance with the selective
- 5 provider contracting program established pursuant to Article 2.6
- 6 (commencing with Section 14081), from the Private Hospital
- 7 Supplemental Fund established pursuant to subdivision (b) for
- 8 distribution to private hospitals that satisfy the criteria of Section
- 9 14085.6, 14085.7, 14085.8, or 14085.9.
- 10 (b) The Private Hospital Supplemental Fund is hereby
- 11 established in the State Treasury. For purposes of this section,
- 12 “fund” means the Private Hospital Supplemental Fund.
- 13 (c) Notwithstanding Section 13340 of the Government Code,
- 14 the fund shall be continuously appropriated to the department for
- 15 the purposes specified in this section.
- 16 (d) Except as otherwise limited by this section, the fund shall
- 17 consist of all of the following:
- 18 (1) One hundred eighteen million four hundred thousand dollars
- 19 (\$118,400,000), which shall be transferred annually from General

1 Fund amounts appropriated in the annual Budget Act for the  
2 Medi-Cal program, except that for the 2008–09 fiscal year, this  
3 amount shall be reduced by thirteen million six hundred thousand  
4 dollars (\$13,600,000) and by an amount equal to one-half of the  
5 difference between eighteen million three hundred thousand dollars  
6 (\$18,300,000) and the amount of any reduction in the additional  
7 payments for distressed hospitals calculated pursuant to  
8 subparagraph (B) of paragraph (3) of subdivision (b) of Section  
9 14166.20.

10 (2) Any additional moneys appropriated to the fund.

11 (3) All stabilization funding transferred to the fund pursuant to  
12 paragraph (2) of subdivision (a) of Section 14166.14.

13 (4) Any moneys that any county, other political subdivision of  
14 the state, or other governmental entity in the state may elect to  
15 transfer to the department for deposit into the fund, as permitted  
16 under Section 433.51 of Title 42 of the Code of Federal Regulations  
17 or any other applicable federal Medicaid laws.

18 (5) All private moneys donated by private individuals or entities  
19 to the department for deposit in the fund as permitted under  
20 applicable federal Medicaid laws.

21 (6) Any interest that accrues on amounts in the fund.

22 (e) Any public agency transferring moneys to the fund may, for  
23 that purpose, utilize any revenues, grants, or allocations received  
24 from the state for health care programs or purposes, unless  
25 otherwise prohibited by law. A public agency may also utilize its  
26 general funds or any other public moneys or revenues for purposes  
27 of transfers to the fund, unless otherwise prohibited by law.

28 (f) The department may accept or not accept moneys offered to  
29 the department for deposit in the fund. If the department accepts  
30 moneys pursuant to this section, the department shall obtain federal  
31 financial participation to the full extent permitted by law. With  
32 respect to funds transferred or donated from private individuals or  
33 entities, the department shall accept only those funds that are  
34 certified by the transferring or donating entity that qualify for  
35 federal financial participation under the terms of the Medicaid  
36 Voluntary Contribution and Provider-Specific Tax Amendments  
37 of 1991 (Public Law 102-234) or Section 433.51 of Title 42 of the  
38 Code of Federal Regulations, as applicable. The department may  
39 return any funds transferred or donated in error.

1 (g) Moneys in the fund shall be used as the source for the  
2 nonfederal share of payments to hospitals under this section.

3 (h) Any funds remaining in the fund at the end of a fiscal year  
4 shall be carried forward for use in the following fiscal year.

5 (i) Moneys shall be allocated from the fund by the department  
6 and shall be applied to obtain federal financial participation in  
7 accordance with customary Medi-Cal accounting procedures for  
8 purposes of payments under this section. Distributions from the  
9 fund shall be supplemental to any other Medi-Cal reimbursement  
10 received by the hospitals, including amounts that hospitals receive  
11 under the selective provider contracting program (Article 2.6  
12 (commencing with Section 14081)), and shall not affect provider  
13 rates paid under the selective provider contracting program.

14 (j) Each private hospital that was a private hospital during the  
15 2002–03 fiscal year, received payments for the 2002–03 fiscal  
16 year from any of the prior supplemental funds, and, during the  
17 project year, satisfies the criteria in Section 14085.6, 14085.7,  
18 14085.8, or 14085.9 to be eligible to negotiate for distributions  
19 under any of those sections, shall receive no less from the Private  
20 Hospital Supplemental Fund for the project year than 100 percent  
21 of the amount the hospital received from the prior supplemental  
22 funds for the 2002–03 fiscal year. Each private hospital described  
23 in this subdivision shall be eligible for additional payments from  
24 the fund pursuant to subdivision (k).

25 (k) All amounts that are in the fund for a project year in excess  
26 of the amount necessary to make the payments under subdivision  
27 (j) shall be available for negotiation by the California Medical  
28 Assistance Commission, along with corresponding federal financial  
29 participation, for supplemental payments to private hospitals, which  
30 for the project year satisfy the criteria under Section 14085.6,  
31 14085.7, 14085.8, or 14085.9 to be eligible to negotiate for  
32 distributions under any of those sections, and paid for services  
33 rendered during the project year pursuant to the selective provider  
34 contracting program established under Article 2.6 (commencing  
35 with Section 14081).

36 (l) The amount of any stabilization funding transferred to the  
37 fund, or the amount of intergovernmental transfers deposited to  
38 the fund pursuant to subdivision (o), together with the associated  
39 federal reimbursement, with respect to a particular project year,  
40 may, in the discretion of the California Medical Assistance

1 Commission, be paid for services furnished in the same project  
2 year regardless of when the stabilization funds or intergovernmental  
3 transfer funds, and the associated federal reimbursement, become  
4 available, provided the payment is consistent with other applicable  
5 federal or state law requirements and does not result in a hospital  
6 exceeding any applicable reimbursement limitations.

7 (m) The department shall pay amounts due to a private hospital  
8 from the fund for a project year, with the exception of stabilization  
9 funding, in up to four installment payments, unless otherwise  
10 provided in the hospital's contract negotiated with the California  
11 Medical Assistance Commission, except that hospitals that are not  
12 described in subdivision (j) shall not receive the first installment  
13 payment. The first payment shall be made as soon as practicable  
14 after the issuance of the tentative disproportionate share hospital  
15 list for the project year, and in no event later than January 1 of the  
16 project year. The second and subsequent payments shall be made  
17 after the issuance of the final disproportionate hospital list for the  
18 project year, and shall be made only to hospitals that are on the  
19 final disproportionate share hospital list for the project year. The  
20 second payment shall be made by February 1 of the project year  
21 or as soon as practicable after the issuance of the final  
22 disproportionate share hospital list for the project year. The third  
23 payment, if scheduled, shall be made by April 1 of the project year.  
24 The fourth payment, if scheduled, shall be made by June 30 of the  
25 project year. This subdivision does not apply to hospitals that are  
26 scheduled to receive payments from the fund because they meet  
27 the criteria under Section 14085.7 and do not meet the criteria  
28 under Section 14085.6, 14085.8, or 14085.9, which shall be paid  
29 in accordance with the applicable contract or contract amendment  
30 negotiated by the California Medical Assistance Commission.

31 (n) The department shall pay stabilization funding transferred  
32 to the fund in amounts negotiated by the California Medical  
33 Assistance Commission and shall pay the scheduled payments in  
34 accordance with the applicable contract or contract amendment.

35 (o) Payments to private hospitals that are eligible to receive  
36 payments pursuant to Section 14085.6, 14085.7, 14085.8, or  
37 14085.9 may be made using funds transferred from governmental  
38 entities to the state, at the option of the governmental entity. Any  
39 payments funded by intergovernmental transfers shall remain with  
40 the private hospital and shall not be transferred back to any unit

1 of government. An amount equal to 25 percent of the amount of  
2 any intergovernmental transfer made in the project year that results  
3 in a supplemental payment made for the same project year to a  
4 project year private DSH hospital designated by the governmental  
5 entity that made the intergovernmental transfer shall be deposited  
6 in the fund for distribution as determined by the California Medical  
7 Assistance Commission. An amount equal to 75 percent shall be  
8 deposited in the fund and distributed to the private hospitals  
9 designated by the governmental entity.

10 (p) A private hospital that receives payment pursuant to this  
11 section for a particular project year shall not submit a notice for  
12 the termination of its participation in the selective provider  
13 contracting program established pursuant to Article 2.6  
14 (commencing with Section 14081) until the later of the following  
15 dates:

16 (1) On or after December 31 of the next project year.

17 (2) The date specified in the hospital's contract, if applicable.

18 (q) (1) For the 2007–08, 2008–09, ~~and~~ 2009–10, *2010–11,*  
19 *2011–12, and 2012–13* project years, the County of Los Angeles  
20 shall make intergovernmental transfers to the state to fund the  
21 nonfederal share of increased Medi-Cal payments to those private  
22 hospitals that serve the South Los Angeles population formerly  
23 served by Los Angeles County Martin Luther King, Jr.-Harbor  
24 Hospital. The intergovernmental transfers required under this  
25 subdivision shall be funded by county tax revenues and shall total  
26 five million dollars (\$5,000,000) per project year, except that, in  
27 the event that the director determines that any amount is due to  
28 the County of Los Angeles under the demonstration project for  
29 services rendered during the portion of a project year during which  
30 Los Angeles County Martin Luther King, Jr.-Harbor Hospital was  
31 operational, the amount of intergovernmental transfers required  
32 under this subdivision shall be reduced by a percentage determined  
33 by reducing 100 percent by the percentage reduction in Los  
34 Angeles County Martin Luther King, Jr.-Harbor Hospital's  
35 baseline, as determined under subdivision (c) of Section 14166.5  
36 for that project year.

37 (2) Notwithstanding subdivision (o), an amount equal to 100  
38 percent of the county's intergovernmental transfers under this  
39 subdivision shall be deposited in the fund and, within 30 days after  
40 receipt of the intergovernmental transfer, shall be distributed,

1 together with related federal financial participation, to the private  
2 hospitals designated by the county in the amounts designated by  
3 the county. The director shall disregard amounts received pursuant  
4 to this subdivision in calculating the OBRA 1993 payment  
5 limitation, as defined in paragraph (24) of subdivision (a) of  
6 Section 14105.98, for purposes of determining the amount of  
7 disproportionate share hospital replacement payments due a private  
8 hospital under Section 14166.11.

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